Illicit Globalization: Myths, Misconceptions, and Historical Lessons

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In releasing the first ever United Nations (UN) transnational organized crime threat assessment, titled *The Globalization of Crime*, the director of the United Nations Office on Drugs and Crime announced, "Organized crime has globalized and turned into one of the world's foremost economic and armed powers." He concluded, "Transnational crime has become a threat to peace and development, even to the sovereignty of nations."[1] Such dire pronouncements have been repeated in policy circles since the 1990s, with U.S. Senator John Kerry exclaiming, "We are compelled by the globalization of crime to globalize law and law enforcement."[2] Jessica Mathews has pointed to organized crime and trafficking as the dark side of a fundamental "power shift" away from states.[3] In more-recent years, Moises Naim has boldly labeled the conflict between states and global crime as "the new wars of globalization," with states increasingly on the losing side.[4] Crime has gone global, he contends, "transforming the international system, upending the rules, creating new players, and reconfiguring power in international politics and economics."[5]

[1] Quoted in "Organized Crime has Globalized and Turned into a Security Threat," United Nations Information Service, 17 June 2010.

[2] John Kerry, *The New War: The Web of Crime that Threatens America* (New York: Touchstone, 1997), 169.

[3] Jessica Mathews, "Power Shift," *Foreign Affairs* (January/February 1997): 50.

[4] Moises Naim, "The Five Wars of Globalization," *Foreign Policy* 76 (January/February 2003): 50–66.

[5] Moises Naim, *Illicit: How Smugglers, Traffickers, and Copycats are Hijacking the Global Economy* (New York: Doubleday, 2005), 5.

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Prominent journalists have also joined the loud chorus of warnings, with Misha Glenny dubbing this new global threat "McMafia."[6]

International relations scholars have similarly sounded the alarm bells. In bemoaning the retreat of the state, the late Susan Strange called transnational organized crime "perhaps *the* major threat to the world system."[7] James Mittelman has warned of a growing "nexus of organized crime and globalization," arguing that global organized crime groups "not only impair globalization's licit channels but are also playing a key role in setting new rules."[8] Phil Williams has described transnational organized crime as "the HIV virus of the modern state, circumventing and breaking down the natural defenses of the body politic." Most states in the past, according to Williams, "seemed to have the capacity" to keep this threat "under control," but this is "no longer so obviously the case."[9] Most recently, Robert Mandel has proclaimed that transnational organized crime presents an "international security challenge of staggering proportions."[10]

There are some common underlying themes in these various accounts of illicit globalization articulated by scholars, policymakers, pundits, and journalists. Globetrotting non-state actors, ranging from drug traffickers to money launderers to black market arms dealers, are increasingly agile, sophisticated, and technologically savvy. Governments, in sharp contrast, are increasingly besieged, outsmarted, poorly equipped, clumsy, and even incompetent in dealing with this illicit side of globalization. In this view, the state necessarily weakens as the clandestine world strengthens. In short, illicit globalization is the poster child for arguments that states are "losing control."

At first glance, this standard, frightening story of the growing threat of illicit globalization seems depressingly accurate. Traffickers *are* routinely defying borders, mocking law enforcement, and sometimes even violently challenging the state. These concerns are confirmed daily in media stories and policy statements and reports, and resonate with the popular imagination. It is commonsensical that the same global transformations in communication, transportation, and finance that aid licit business also aid illicit business. Globalization reduces transaction costs for both licit and illicit market actors.

[6] Misha Glenny, *McMafia: A Journey Through the Global Criminal Underworld* (New York: Knopf, 2008).

[7] Susan Strange, *The Retreat of the State: The Diffusion of Power in the World Economy* (New York: Cambridge University Press, 1996), 121.

[8] James Mittelman, *The Globalization Syndrome* (Princeton, NJ: Princeton University Press, 2000), 210, 214.

[9] Phil Williams, "Transnational Organized Crime and the State," in Rodney Bruce Hall and Thomas J. Biersteker, eds., *The Emergence of Private Authority in Global Governance* (New York: Cambridge University Press, 2003), 161, 165.

[10] Robert Mandel, *Dark Logic: Transnational Criminal Tactics and Global Security* (Stanford, CA: Stanford University Press, 2010).

Moreover, some government policies designed to encourage and facilitate the spread of licit economic transactions can unintentionally aid illicit transactions.[11]

But while containing many truths, this prevailing picture of illicit globalization ultimately obscures as much as it reveals. It distorts and distracts as much as it informs. And in the already highly charged policy debates over what to do, it generates more heat than light, with troubling policy implications. The temptation to simply blame globalization is much too easy and convenient, and can fuel calls to further escalate rather than reevaluate flawed policies and policing strategies.

I question the conventional wisdom about illicit globalization. I argue that popular claims of loss of state control are overly alarmist and misleading and suffer from historical amnesia. Drawing from historical and contemporary empirical illustrations, I challenge common myths and misconceptions about illicit globalization and emphasize the ways in which states shape and even exploit the illicit global economy. Contrary to conventional wisdom, illicit globalization is not new, and its relationship to the state is not only antagonistic but symbiotic. Providing a preliminary corrective to the dominant account, I make a state-centered argument in the very realm of globalization in which the state appears to be weakest and most overrun.[12] The illicit global economy presents a serious regulatory challenge requiring sustained policy and scholarly attention. But in the effort to generate such attention, we should resist resorting to all-too-common "the sky is falling" accounts of illicit globalization.

In the next section, I briefly review the dimensions of illicit globalization, and then evaluate standard claims regarding the magnitude of illicit global flows. I then examine the contemporary and historical relationship between states and illicit, non-state transnational actors, and the role of new technologies and violence in shaping this relationship. I also point to the multiple ways in which states promote or otherwise benefit from illicit transnational activities. I conclude by suggesting that the standard story about illicit globalization is not only overblown but can have counterproductive policy consequences, and call for more scholarly attention to overcome the common tendency by international relations scholars to either overlook or overstate illicit globalization.

Dimensions and Magnitude of Illicit Globalization

The dominant account of illicit globalization often refers to "transnational organized crime"—a broad term that can be difficult to define. This tends to

[11] In the case of drugs, see Kal Raustiala, "Law, Liberalization, and International Narcotics Trafficking," *New York University Journal of International Law and Politics* 32 (Fall 1999). More generally, see Peter Andreas, "Transnational Crime and Economic Globalization," in Mats Berdal and Monica Serrano, eds., *Transnational Organized Crime and International Security* (Boulder, CO: Lynne Rienner, 2002).

[12] For a useful introduction to the now vast literature on globalization, see David Held, Anthony McGrew, David Goldblatt, and Jonathan Perraton, *Global Transformations: Politics, Economics, Culture* (Stanford, CA: Stanford University Press, 1999).

focus attention on large criminal organizations (often mislabeled as "cartels"[13]) and mafia-like leaders (often given colorful medieval-sounding names such as "crime lords" and "drug barons") rather than particular market sectors or activities. At base, much of what makes organized crime transnational involves some form of profit-driven smuggling across borders. Transnational organized crime is therefore simply a new term for an old economic practice. How organized and how transnational varies greatly across time, place, and smuggling activity.

The illicit side of the global economy includes the trade in prohibited commodities (such as heroin and cocaine), the smuggling of legal commodities (such as cigarettes) to circumvent sanctions and embargoes or to evade taxes, the black market in stolen commodities (most notably intellectual property theft), the clandestine movement of people (migrants, sex workers), the trafficking of endangered species and animal parts (such as ivory), and the laundering of money generated by these and other illicit activities. Some of these transnational flows are little more than a law enforcement nuisance (cross-border vehicle theft), but others receive intense policy attention and media scrutiny (drug trafficking and migrant smuggling), and still others have serious environmental consequences (the illicit trade in toxic waste) and security implications (sanctions busting and arms trafficking).

Despite their great diversity, these illicit transnational flows share some basic characteristics: they are unauthorized by the sending and/or receiving country (in some cases institutionalized at the international level in the form of global prohibition regimes[14]), and they move across borders via mechanisms designed to evade detection and apprehension. They are also an increasingly prominent source of conflict and tension in international politics. Concerns over illicit flows, particularly of people and drugs, dominate U.S. relations with many of its southern neighbors, as well as European Union relations with many of its neighbors to the south and east.

The conventional account of illicit globalization repeatedly tells us that the volume of illicit transnational activity has grown substantially in recent decades. This may well be true—after all, such illicit activities would simply have to keep pace with the licit economy to grow at an impressive rate. But this does not mean that illicit flows have necessarily increased as an overall percentage of global economic transactions. And indeed, the liberalization of trade in recent decades has greatly reduced incentives to engage in smuggling

[13] Cartels, by definition, engage in price fixing. Criminal organizations, even the most powerful ones, have not shown this capacity.

[14] See Ethan Nadelmann, "Global Prohibition Regimes: The Evolution of Norms in International Society," *International Organization* 44 (Autumn 1990): 479–526; and Peter Andreas and Ethan Nadelmann, *Policing the Globe: Criminalization and Crime Control in International Relations* (New York: Oxford University Press, 2006).

practices designed to evade tariffs and export/import duties—which has historically been the main form of illicit trade.[15] With the substantial lowering of traditional trade barriers, global smuggling is increasingly about evading trade prohibitions and bans rather than tariffs and taxes.

Standard accounts of the magnitude of illicit globalization tend to provide little or no historical comparison and often make bold numerical assertions based on dubious data.[16] Illicit economic flows are, of course, inherently difficult to measure—the market actors, after all, are actively trying to avoid being detected and counted. Trafficking operations are designed to be as stealthy as possible. But while this presents profound measurement problems—good aggregate data are simply not available, given the nature of the activity—it has not inhibited sweeping statistical claims. The official numbers from government agencies and international organizations are highly problematic, yet go largely unchallenged. All too often, little effort is even made to try to explain where the numbers come from and why these numbers should be considered remotely credible. My point here is not to offer better quantitative measures and techniques to calculate the size of the illicit global economy.[17] Rather, it is simply to stress that the dominant accounts of illicit globalization tend to be based on measurement claims that simply do not stand up well to close critical scrutiny.

This is illustrated in the case of drug trafficking, by all accounts the dominant sector of the illicit global economy. The U.S. State Department, for example, produces the annual, *International Narcotics Control Strategy Report*, which estimates illicit drug production by other countries. The economist Peter Reuter points out that "no detail has ever been published on the methodology of these estimates, beyond the fact that they are generated from estimates of growing area, crop per acre, and refining yield per ton of raw product; the information sources, even the technology used to produce them (for area estimates) are classified." He concludes that the estimates "show inexplicable inconsistency over time and across sectors of the industry. Some numbers are simply implausible."[18] The economist Francisco Thoumi, who worked as a senior drug policy consultant for the United Nations, emphasizes that UN

[15] For a recent review, see Alan L. Karras, *Smuggling: Contraband and Corruption in World History* (Lanham, MD: Rowman & Littlefield, 2010).

[16] For a more general discussion, see Peter Andreas and Kelly Greenhill, eds., *Sex, Drugs, and Body Counts: The Politics of Numbers in Global Crime and Conflict* (Ithaca, NY: Cornell University Press, 2010).

[17] For a critical discussion of measurement problems in the case of black markets, see the collection of articles in the *Economic Journal* 109 (June 1999). Also see Philip Mattera, *Off the Books: The Rise of the Underground Economy* (New York: St. Martin's Press, 1985), especially chap. 4.

[18] Peter Reuter, "The Mismeasurement of Illegal Drug Markets: The Implications of its Irrelevance," in Susan Pozo, ed., *Exploring the Underground Economy* (Kalamazoo, MI: Upjohn Institute, 1996), 65.

statistics on the size of the global drug trade are equally suspect and often based on guesswork and exaggeration.[19]

Yet despite their questionable credibility, these sorts of aggregate statistics have been crucial to the construction of a dominant narrative about transnational crime as an enormous and rapidly growing global threat.[20] Indeed, such numbers have helped fuel a cottage industry of global crime books in recent years. They all have the same basic storyline: global crime is booming, unprecedented, and a grave threat.[21] One of the most well known books in this genre is Moises Naim's, *Illicit: How Smugglers, Traffickers and Copycats are Hijacking the Global Economy*.[22] The startling numbers used support the book's underlying message: illicit global markets are an unprecedented threat to the global economy and are growing at a startling rate. This is evident in the depiction of counterfeiting: "Since the early 1990s, according to INTERPOL, trade in counterfeits has grown *eight times* the speed of legitimate trade. Twenty years ago, commercial losses around the world due to counterfeiting were estimated in the $5 billion range; today they are around $500 billion. That puts the cost of counterfeiting between 5 and 10 percent of the total value of world trade…."[23]

These eye-popping statistical claims are simply accepted rather than scrutinized. As Naim explains it, "All of the numbers in this book come from the most reliable sources possible—usually international organizations and governments or non-governmental organizations whose work is generally deemed to be serious and reliable."[24] Not acknowledged is that the numbers may be influenced by the agendas of those agencies and organizations that produce them to draw public attention and mobilize policy action. In the case of counterfeiting, for example, a report from the Organization for Economic Cooperation and Development cautions, "Many of the anti-counterfeiting organizations are lobby groups and have an incentive to present exaggerated figures that may bias the true picture."[25] The economist Vito Tanzi has questioned Naim's uncritical embrace of official numbers, noting that "estimates of this kind are often no more than guesses and should be taken with a large grain

[19] See Francisco E. Thoumi, "The Numbers Game: Let's All Guess the Size of the Illegal Drug Industry!" *Journal of Drug Issues* 35 (Winter 2005): 185–200.

[20] Andreas, "Politics of Measuring Illicit Flows."

[21] See, for example, Jeffrey Robinson, *The Merger: The International Conglomerate of Organized Crime* (New York: Overlook Press, 2002); Tim Phillips, *Knockoff: The Deadly Trade in Counterfeit Goods: The True Story of the World's Fastest Growing Crime Wave* (London: Kogan, 2005); Loretta Napoleoni, *Rogue Economics* (New York: Seven Stories Press, 2008).

[22] Naim, *Illicit*.

[23] Ibid., 112 (emphasis in original).

[24] Ibid., 11.

[25] Organization for Economic Cooperation and Development, *The Economic Impact of Counterfeiting* (Paris: OECD, 1998), 27.

of salt, especially since they are often made by agencies that can justify budgetary requests by inflating the figures."[26]

Triumph of the (Illicit) Market and a Borderless World?

Regardless of the particular numbers used, the dominant story of illicit globalization is one of markets trumping states: state controls are flaunted and circumvented with growing ease by geographically nimble clandestine economic actors meeting a growing market demand for illicit goods, labor, and services.[27] Yet states still hold some trump cards: at the most basic level, it is important to remember that states define what economic activities are illicit in the first place. States monopolize the power to criminalize: laws precede and define criminality. Through their law-making and law-enforcing authority, states set the rules of the game even if they cannot entirely control the play. States monopolize the power to determine who and what has legitimate territorial access, and define the terms of such access.[28] For example, changes in tax, tariff, and duty laws and in the intensity with which those laws are enforced have profound effects, for better and worse, on the incidence and profitability of smuggling ventures.[29] Thus, rather than simply reflecting "globalization out of control," the prevalence of illicit global commerce partly reflects how limited and incomplete globalization actually is. In other words, much illicit commerce would be defined away in a truly "borderless world" in which free trade fully reigns in all sectors of the economy. And even in this libertarian utopia, there would presumably still be some rules that tempt rule breaking.

The power of the state to define the content of illicit globalization should not be overlooked or discounted. New laws turn once-legal transnational activities into criminal activities, resulting in a sudden and sometimes dramatic overall increase in transnational crime. Indeed, a century ago, much of what today is considered transnational crime (most notably drug trafficking) was not even criminalized by most states—and hence by definition not a crime problem. In fact, some of today's illicit economic activities were only criminalized a few decades ago, including trade prohibitions on toxic waste, antiquities, endangered species, and money laundering. Illicit globalization is thus not only about more-expansive transnational crime but also about more-ambitious global prohibitions.[30] At the same time, we should recall that some of today's licit economic activities were

[26] Vito Tanzi, "Public Goods and Public Bad," *Finance and Development* 43 (March 2006).

[27] H. Richard Friman, "Crime and Globalization," in H. Richard Friman, ed., *Crime and the Global Political Economy* (Boulder, CO: Lynne Rienner, 2009), 9.

[28] Stephen D. Krasner, "Power, Politics, Institutions, and Transnational Relations," in Thomas Risse-Kappen, ed., *Bringing Transnational Relations Back In* (New York: Cambridge University Press, 1995), 268.

[29] For an insightful early account, see Jorge I. Dominguez, "Smuggling," *Foreign Policy* 20 (Fall 1975): 87–96, 161–164.

[30] Nadelmann, "Global Prohibition Regimes."

previously criminalized and considered a serious transnational crime threat. For instance, alcohol smuggling networks linking the United States to suppliers in Europe, Canada, Mexico, and the Caribbean created a formidable policing challenge during the Prohibition Era—and were eliminated with the stroke of a pen with the repeal of the Volstead Act in 1933.

The effectiveness of state controls has typically depended on the nature of the smuggled commodity, the ease of production, concealment and transport, the availability of legal substitutes, and the nature and levels of consumer demand. Policing efforts often fail to eliminate the targeted activity, but nevertheless function as a form of market regulation: the method, intensity, and focus of law enforcement can profoundly shape the location and form of smuggling, the size and structure of the smuggling organizations, and the cost and profitability of smuggling. In this regard, one should not lose sight of the fact that it is the very existence of state controls that makes it necessary for smugglers and other clandestine transnational actors to try to devise such creative and elaborate means to evade and circumvent them. Transnational crimes such as drug trafficking and migrant smuggling are so profitable precisely because states impose and enforce prohibitions. In this regard, prohibitions function as price supports—which, in turn, help to attract new market entrants willing to accept the occupational hazards.

Corruption can also be viewed as an informal form of market regulation. Illicit market participants may attempt to bully and buy off state officials, but this is primarily because they lack the capacity to fully bypass them. Corruption thus reflects state weakness, but also state power: most illicit market actors, after all, would prefer to evade state controls rather than have to pay for state protection and the non-enforcement of the law. From this perspective, corruption is an informal form of taxation.[31]

The dominant account of illicit globalization also views national borders as increasingly irrelevant.[32] Borders are, of course, routinely crossed without authorization. But this has always been the case. Nostalgic calls to "regain control" of borders falsely imply that borders were ever truly "under control." Borders have always been far more permeable than the Westphalian ideal implies. There never was a "golden age" of state control.[33]

The U.S.–Mexico border, for instance, is often pointed to as a particularly glaring illustration of illicit markets overpowering the state. Yet, high volumes of illicit flows have long defined the border. The first upsurge of migrant smuggling across the border into the United States was not of Mexicans

[31] See, for example, Hans Van der Veen, "Taxing the Drug Trade: Coercive Exploitation and the Financing of Rule," *Crime, Law, and Social Change* 40 (December 2003): 349–390.

[32] Reflected, for example, in the title of Paul Stares's book, *Global Habit: The Drug Problem in a Borderless World* (Washington, DC: Brookings, 1996).

[33] Janice E. Thomson and Stephen D. Krasner, "Global Transactions and the Consolidation of Sovereignty," in Ernst-Otto Czempiel and James N. Rosenau, eds., *Global Changes and Theoretical Challenges: Approaches to World Politics for the 1990s* (Lanham, MD: Lexington Books, 1989), 198.

but rather of Chinese migrants using the border as a back door to the U.S. labor market after the Chinese Exclusion Act of 1882 closed the front door. When the U.S. Border Patrol was formed in 1924, it was preoccupied with policing the surge in alcohol smuggling. Looking even further back reveals that the U.S.–Mexico economic relationship was founded on smuggling—and unlike today, most of what was smuggled flowed from north to south. The first conflict over illegal immigration was over the unauthorized influx of U.S. settlers and their slaves in the 1830s in defiance of Mexican restrictions. High tariffs and low enforcement capacity also meant that much of Mexico's cross-border trade after independence from Spain in 1821 was contraband. This contraband trade has now been largely eliminated by the dismantling of trade barriers between the United States and Mexico, culminating in the signing of the North American Free Trade Agreement.[34]

The fact that "trade barriers" for labor and drugs have not also been eliminated (and indeed have been strengthened) is why they now dominate efforts to combat smuggling across the border. Ironically, trade barriers against marijuana imports—the bulkiest and therefore easiest drug to interdict—have inadvertently provided a form of protectionism for American marijuana producers.[35] Migrant smuggling across the border has become a much more sophisticated and organized business since the early 1990s, not because of the weakening of the state but precisely because of the strengthening of the state: migrants used to be able to self-smuggle themselves across the border (and go back and forth with relative ease), but with the tightening of state controls, they now have to hire the services of professional smugglers. The border remains highly porous, but is far more difficult for migrants to cross than ever before (with hundreds dying every year as a consequence). The fact that migrants keep crossing in the face of more-formidable border barriers has less to do with the power of smuggling organizations than with the unwillingness of the state to target domestic employers (the demand for cheap migrant labor).[36] Not surprisingly, unauthorized entries seem to have slowed with the slowdown in the economy and employer demand.

The First Age of Illicit Globalization

The end of the Cold War is typically considered the starting point of illicit globalization—which is what makes it such a new and novel threat.[37] But it

[34] See Louis S. Sadler, "The Historic Dynamics of Smuggling in the U.S.–Mexican Border Region, 1550–1998," in John Bailey and Roy Godson, eds. *Organized Crime and Democratic Governability* (Pittsburgh, PA: University of Pittsburgh Press, 2000).

[35] Richard R. Clayton, *Marijuana in the 'Third World': Appalachia, USA* (Boulder, CO: Lynne Rienner, 1995).

[36] For a more-detailed analysis, see Peter Andreas, *Border Games: Policing the U.S.–Mexico Divide*, 2d ed. (Ithaca, NY: Cornell University Press, 2009).

[37] See *The Globalization of Crime: A Transnational Organized Crime Threat Assessment* (Vienna: United Nations Office of Drugs and Crime, 2010), ii; Glenny, *McMafia*; and Naim, *Illicit*.

actually goes back centuries, not decades. In the seventeenth and eighteenth centuries, the highly restrictive mercantilist trading systems set up by competing European powers created enormous incentives and opportunities for smuggling and corruption of customs officials. The historian Bernard Bailyn points out that illicit trade did not simply subvert mercantilism but was integral to the Atlantic trading system: "What made all this possible—what helped bind the widespread and intensely competitive Atlantic commercial world together—was the mass of illegal trade that bypassed the formal, nationalistic constraints. Much of Europe's exploitation of Spain's American empire rested on smuggling, on corruption, on fraud of all kinds, the magnitude of which, though less than British and French legal exports to their metropoles, created, in effect, a parallel economy independent of the official system."[38] Spain's efforts to curtail smuggling in later years even led to war with Britain in 1739.[39]

With the rise and rapid growth of transoceanic commerce, the age of mercantilism was also arguably the first age of illicit globalization. Smuggling-related corruption was so institutionalized in some places that manuals were printed up listing the standardized bribes.[40] Moreover, smuggling enjoyed widespread popular support in many port cities and towns, making it extremely difficult to convict smugglers in local courts. Thus, while the major European states possessed considerable "despotic power" (autonomous decision-making capacity) their "infrastructural power" (the capacity to penetrate and influence society and implement decisions) was lacking—most strikingly evident in the frustrated efforts to curtail smuggling.[41]

Nowhere was this more the case than in American colonial ports such as Boston and New York.[42] Colonial merchants became major players in the Atlantic smuggling economy, most notably the smuggling of molasses for New England distilleries, and conflicts over smuggling and overzealous customs enforcement played no small role in the tensions leading up to the war of independence.[43] Attempts by the British imperial authorities to crack down on smuggling in the decade prior to the American Revolution provoked mob riots, burning of customs vessels, and tar-and-feathering of informants.[44] A number of famous incidents, such as the Boston Tea party, were closely tied

[38] Bernard Bailyn, *Atlantic History: Concept and Contours* (Cambridge, MA: Harvard University Press, 2005), 88.

[39] Ibid., 89.

[40] Ibid.

[41] On these two types of state power, see Michael Mann, "The Autonomous Power of the State: Its Origins, Mechanisms, and Results," *Archives Europeenes de Sociologie* 25 (1984): 185–213.

[42] See Thomas M. Truxes, *Defying Empire: Trading with the Enemy in Colonial New York* (New Haven, CT: Yale University Press, 2008); and John W. Tyler, *Smugglers and Patriots: Boston Merchants and the Advent of the American Revolution* (Boston, MA: Northeastern University Press, 1986).

[43] William Smith McClellan, *Smuggling in the American Colonies at the Outbreak of the Revolution: With Special Reference to the West Indies Trade* (New York: Moffat, Yard, and Company, 1912).

[44] See Tyler, *Smugglers and Patriots*, Truxes, *Defying Empire*.

to smuggling interests. As historian Niall Ferguson points out, "The 'Party' was organized not by irate consumers but by Boston's wealthy smugglers, who stood to lose out."[45]

Frustrated British officials were preoccupied with the problem of illicit trade not only in distant colonies but also at home. Eighteenth-century British smugglers—called "free traders"—engaged in large-scale contraband commerce across the English Channel, often in open (and violent) defiance of the authorities and enjoying considerable local support in coastal towns and villages. Britain eventually built up a sizeable coast guard force in response to rampant smuggling, but the most-important factor curtailing smuggling was the emergence of free trade in the nineteenth century, undermining much of the incentive to smuggle.[46]

That same century, Britain played the peculiar double role, on the one hand, of leading the campaign to prohibit and police the transatlantic slave trade, and, on the other hand, of aggressively promoting the East Asian opium trade. Chinese officials had criminalized the opium trade and thus defined it as smuggling, but their effort to enforce the prohibition was defeated by the British in the mid-nineteenth century Opium Wars.[47] In this regard, no contemporary transnational criminal organization has come remotely close to matching the power, influence, and global reach of the opium-smuggling British East India Company.[48]

State capacities to detect, deter, and detain transnational crime have substantially increased since the heyday of smuggling several centuries ago. The number of safe havens for criminals across the world has dramatically shrunk over time as the law enforcement reach of the state has expanded, including through international policing cooperation—evident, for instance, in the proliferation of extradition and mutual legal assistance treaties.[49] And it should be remembered that some key control tools, such as the universal adoption of the passport, did not arrive until early in the twentieth century.[50] Importantly, while difficult to measure, it is also clear that across much of the world, societal norms have shifted to the advantage of state enforcement. In the eighteenth century Atlantic world, for example, smuggling in defiance of the authorities was widely viewed as acceptable, "normal" economic behavior. Societal tolerance and

[45] Niall Ferguson, *Empire: The Rise and Demise of the British World Order and the Lessons for Global Power* (New York: Basic Books, 2004), 72.

[46] See, for instance, Henry N. Shore, *Smuggling Days and Smuggling Ways* (London: Philip Allan, 1892).

[47] David T. Courtwright, *Forces of Habit: Drugs and the Making of the Modern World* (Cambridge, MA: Harvard University Press, 2001), 34–35.

[48] On the East India Company, see Nick Robins, *The Corporation that Changed the World: How the East India Company Shaped the Modern Multinational* (London: Pluto, 2006).

[49] Andreas and Nadelmann, *Policing the Globe*.

[50] John Torpey, *The Invention of the Passport: Surveillance, Citizenship, and the State* (New York: Cambridge University Press, 2000).

even encouragement was common. Today, large-scale and highly organized illicit trade continues, but compared to earlier centuries is more likely to be viewed as deviant and to carry a social stigma (though this obviously varies across place and smuggling activity).

The Technology Factor

A common theme in conventional accounts of illicit globalization is the role of new and inexpensive technologies, such as the Internet, in facilitating and enabling illicit transnational economic activities. This is no doubt true. But it is also simply the latest—and not necessarily the most important—chapter in an old story. Indeed, for centuries, law enforcement officials have bemoaned the crime-enabling effects of new technologies, and have used this as a rationale to further expand their policing reach.[51] It is far from evident that recent technological innovations have had a more transformative impact on cross-border crime than in earlier eras, and indeed, the impact may be considerably less. Consider, for instance, the profound effects of the steamship, the railway, the telegraph, the telephone, the automobile, and the airplane in enhancing cross-border mobility and communication (both licit and illicit).[52]

Moreover, technology is double-edged, not just challenging but aiding the state. It is certainly not a one-way street in which law evaders always have the edge and an ever-increasing technological advantage. Consider how the development of photography and fingerprinting revolutionized criminal investigations and long-distance police cooperation.[53] Technological innovations have long played a key role in the development of government-issued travel documents.[54] The invention of the steamship in the nineteenth century played an important role in largely wiping out maritime piracy (a problem that is making something of a comeback these days, but so far remains geographically isolated). Innovations in printing technology over time have made it possible for governments to maintain a technological lead, however tenuous, over currency counterfeiters. Currency counterfeiting remains a worldwide problem, but is certainly not unprecedented. Indeed, in the case of the United States, the magnitude of the problem today pales in comparison to the extent of counterfeiting in the nineteenth century.[55]

[51] See, especially, Mathieu Deflem, "Technology and the Internationalization of Policing: A Comparative Historical Perspective," *Justice Quarterly* 19 (September 2002): 453–475.

[52] R.T. Naylor, *Wages of Crime* (Ithaca, NY: Cornell University Press, 2002), 5.

[53] See Simon A. Cole, *Suspect Identities: A History of Fingerprinting and Criminal Investigation* (Cambridge, MA: Harvard University Press, 2001).

[54] See Jane Kaplan and John Torpey, eds., *Documenting Individual Identity: State Practices in the Modern World* (Princeton, NJ: Princeton University Press, 2001).

[55] Stephen Mihm, *A Nation of Counterfeiters: Capitalists, Con Men, and the Making of the United States* (Cambridge, MA: Harvard University Press, 2007).

The role of new technologies in facilitating law enforcement has, if anything, been growing. Even as new information technologies enable cross-border crime, these technological advances also greatly increase tracking and surveillance capacities (well beyond traditional wiretapping, which itself was a crucial technological development for state authorities).[56] Technology has also dramatically lowered the costs and increased the intensity and frequency of trans-governmental law enforcement networks, allowing state actors to interact with their foreign counterparts more rapidly and frequently.[57] In short, many of the same technological transformations that facilitate the globalization of crime also facilitate the globalization of crime control.

And new technologies will continue to enhance the ability of states to police the cross-border flow of people, cargo, money, and information. For example, the "virtual borders" increasingly promoted by U.S. law enforcement strategists are essentially electronic borders.[58] The digitization of border controls has ranged from the use of more-expansive and -sophisticated databases for "data mining" and computer tracking systems to the creation of more-tamper resistant travel documents and "smart" IDs with biometric identifiers (such as digital fingerprints and facial and retinal scans).

Some illicit uses of new technologies such as electronic banking leave digital fingerprints that state authorities can detect and trace.[59] This is one reason why the use of informal banking mechanisms (such as *hawalas*) are often preferred over the formal banking system, and why concerns about digital eavesdropping can make transnational law evaders wary of using cell phones and other forms of electronic communication. Similarly, illicit online commercial transactions are often constrained by the need to use credit cards, which leave a record. This is partly the reason that so many illicit activities on the Internet—whether the circulation of pirated music or child pornography—involve a barter exchange economy based on file sharing rather than financial transactions.

State-promoted Illicit Globalization

Too often glossed over in conventional accounts of illicit globalization is that some clandestine economic flows enable states to pursue their own interests. Thus, rather than illicit globalization simply threatening states, it is also harnessed by

[56] Whitfield Diffie and Susan Landau, *Privacy on the Line: The Politics of Wiretapping and Encryption* (Cambridge, MA: MIT Press, 2007).

[57] On the role of technology in enhancing trans-governmental networks, see Kal Raustiala, "The Architecture of International Cooperation: Transgovernmental Networks and the Future of International Law," *Virginia Journal of International Law* 43 (Fall 2002): 21–22.

[58] On the turn to new technologies in the case of immigration controls, see Rey Koslowski, "International Migration and Border Control in the Information Age," Rutgers University-Newark, unpublished paper, 12 April 2002.

[59] In the realm of electronic finance, see Eric Helleiner, "Electronic Money: A Challenge to the Sovereign State?" *Journal of International Affairs* 51 (1998): 387–409.

states for their own ends. This is readily apparent in the case of sanctions busting.[60] Prominent recent cases of large-scale evasion of economic sanctions via illicit trade and financial networks include Iraq and Yugoslavia in the 1990s. In both cases, state leaders strategically co-opted and collaborated with the criminal underworld to undermine external controls.[61] But the practice goes back centuries—Napoleon recruited hundreds of British smugglers to assist French efforts to circumvent the British blockade in the last years of the Napoleonic Wars, going so far as to construct a special compound on the coast known as the "city of smugglers."[62]

Although attracting the most attention, state-sponsored illicit trade is not restricted to a handful of "rogue states" such as Iraq under Saddam Hussein, Serbia under Slobodan Milosevic, or Myanmar (Burma) and North Korea today. Political leaders in many developing countries, for example, routinely disperse the benefits of illicit trade as part of the larger system of patronage politics.[63] Bank secrecy laws reflect another form of state sponsorship, and long predate the contemporary era of financial globalization.[64] This is not restricted to obscure microstates such as the Pacific Republic of Nauru "selling sovereignty" to questionable clients.[65] Switzerland's resistance to relaxing its strict bank secrecy laws in the face of intense U.S. pressure is based on the long-standing official practice of encouraging the use of the nation's banking system for tax evasion.[66]

Illicit technology transfer also often involves state complicity—as evident in the case of nuclear smuggling. As is now well known, Pakistan not only illicitly acquired nuclear technology but then became a leading player in the global black market through the clandestine networks developed by its nuclear scientist, Abdul Qadeer Khan (whom Pakistanis consider a national hero despite revelations of his black market dealings).[67] The power and prestige of the Pakistani state has been enhanced via its illicit acquisition of nuclear weapons, even as this contributes to greater regional insecurity. Illicit markets

[60] R.T. Naylor, *Patriots and Profiteers: On Economic Warfare, Embargo Busting, and State Sponsored Crime* (Toronto: Mclelland and Stewart, 1999).

[61] Peter Andreas, "The Criminalizing Consequences of Sanctions: Embargo Busting and its Legacy," *International Studies Quarterly* 49 (June 2005): 335–360.

[62] Gavin Daly, "Napoleon and the 'City of Smugglers', 1810–1814," *The Historical Journal* 50 (2007): 333–352.

[63] See William Reno, "Illicit Commerce and Peripheral States," in Friman, ed., *Crime and the Global Political Economy*.

[64] See, especially, Ronen Palan, "Tax Havens and the Commercialization of State Sovereignty," *International Organization* 56 (Winter 2002): 151–176.

[65] Daniel Drezner, "Sovereignty for Sale," *Foreign Policy* (September–October 2001): 76–77.

[66] David Jolly, "Swiss Vow to Block UBS from Providing Data to U.S." *The New York Times,* 8 July, 2009.

[67] See Gordon Correra, *Shopping for Bombs: Nuclear Proliferation, Global Insecurity, and the Rise and Fall of the A.Q. Kahn Network* (New York: Oxford University Press, 2006).

have provided an alternate mechanism for Pakistan to "catch up" and join the "nuclear club."

Illicit finance and the arms trade have also long been closely tied to covert government operations. The Cold War, not globalization, provided the most important impetus: the intelligence services of the United States and the Soviet Union exploited illicit networks for a variety of purposes, including to fund and supply insurgents across the globe (and some observers have argued that their Cold War experience made Russian intelligence operatives ready and able recruits for criminal enterprise after the Cold War[68]). In the realm of illicit finance, the scandal involving the Bank of Credit and Commerce International (BCCI) revealed that this major international bank was favored not only by money launderers but also by a number of governments and their intelligence services for covert financial transactions.[69] The BCCI case is the most well known, but not an aberration.[70] In the post-Cold War era, no arms dealer has gained more notoriety than the Russian transportation specialist Victor Bout—but often overlooked is that his long list of clients includes many governments (including that of the United States).[71]

Of course, in the murky world of covert operations, the distinction between state actors and non-state illicit actors can become blurry.[72] A "non-state actor" involved in smuggling may be a former intelligence agent or an active informant on the government payroll. State actors may subcontract out covert tasks to private third parties for a number of reasons, including maximizing plausible deniability. The arms trade has long been considered the sector of the illicit global economy in which state and non-state actors and networks are most closely intertwined.[73]

Some illicit cross-border economic activities need not involve state sponsorship to serve state objectives. Unauthorized migration, for instance, can provide a crucial "safety valve," helping governments in many labor-exporting countries cope with their unemployment problems, while the remittances sent home from migrants abroad provide a major source of revenue. Moreover,

[68] Cooley notes the links between security services and illicit trade in the former Soviet Union. See Alexander Cooley, "Globalization and National Security after Empire: The Former Soviet Space," in Jonathan Kirshner, ed., *Globalization and National Security* (New York: Routledge, 2006), 207.

[69] Nikos Passas, "The Mirror of Global Evils: A Review Essay on the BCCI Affair," *Justice Quarterly* 12 (1995): 801–829.

[70] See, for instance, the case of Australia's Nugan Hand bank. Jonathan Kwitny, *Crimes of Patriots: A True Tale of Dope, Dirty Money, and the CIA* (New York: Touchstone, 1988).

[71] Douglas Farah and Stephen Braun, *Merchant of Death: Money, Guns, Planes and the Man Who Makes War Possible* (New York: Wiley, 2008), 214–230.

[72] For a general discussion of the "covert world," see Robert Cox, *Political Economy of a Plural World: Reflections on Power, Morals, and Civilization* (London: Routledge, 2002), 118–138.

[73] Naylor, *Wages of Crime*, 88–133; also see Lora Lumpe, *Running Guns: The Global Black Market in Small Arms* (London: Zed, 2000).

some countries, such as Malaysia, at times even actively recruit unauthorized migrants for political reasons.[74]

Similarly, the large-scale production of counterfeit goods in China can be viewed as indirectly serving state interests. The Chinese counterfeiting industry is a major employer, and it would be highly disruptive if the country suddenly complied with the international anti-counterfeiting rules it agreed to when joining the World Trade Organization. It should be no surprise that the Chinese government has been so resistant to external pressure to more aggressively crack down on piracy and counterfeiting. For many reasons beyond corruption, it is simply not in its interests to close the large gap between its formal international obligations and actual domestic enforcement on the ground.[75]

Again, historical comparison is illuminating. Typically not discussed in today's intellectual property protection debates is that the U.S. government tolerated and even encouraged intellectual piracy and technology smuggling during the country's initial industrialization process, especially in the textile industry. Only later, once it was an industrial powerhouse, did the United States become a forceful advocate of intellectual property protection.[76] In other words, the U.S. message to China and other countries today is, "Do as I say, not as I did." Indeed, intellectual piracy was arguably far more important for America's early industrialization than it is for China's economic development today. Importantly, U.S. technology smuggling also depended on the clandestine importation of skilled workers (circumventing restrictive British emigration laws) to assemble, operate, and improve on the illicitly obtained machinery. These included Samuel Slater, who smuggled himself out of Britain to work on illicitly acquired machinery in Rhode Island and is credited as the "father of the American industrial revolution."[77]

Intellectual piracy in nineteenth-century America extended beyond illicit technology transfers. American authors and filmmakers today are understandably upset that bootleg copies of their books and films immediately make it to the black market in China and elsewhere. Yet in the nineteenth century, it was British authors such as Charles Dickens who were outraged by the widespread copying of their works in America without their authorization—and the unwillingness of the U.S. government to do anything about it. The American copyright law of 1831 was silent on the issue of international literary piracy, and this did not change until 1890.[78]

[74] Kamal Sadiq, "When States Prefer Non-Citizens over Citizens: Conflict over Illegal Immigration into Malaysia," *International Studies Quarterly* 49 (March 2005): 101–122.

[75] Andrew Mertha, *The Politics of Piracy: Intellectual Property in Contemporary China* (Ithaca, NY: Cornell University Press, 2005).

[76] See, especially, Doron S. Ben-Atar, *Trade Secrets: Intellectual Piracy and the Origins of American Industrial Power* (New Haven, CT: Yale University Press, 2004).

[77] Ben-Atar, *Trade Secrets*.

[78] James J. Barnes, *Authors, Publishers, and Politicians: The Quest for an Anglo-American Copyright Agreement* (London: Routledge, 1974).

Violence and Illicit Globalization

According to the standard story of illicit globalization, as criminal enterprise has gone global, so too has the violence associated with it. This violence comes in two forms: first, violence as an inherent attribute of illicit business transactions; and second, illicit business as an economic motivator and/or enabler of contemporary internal wars—what some observers have called "new wars."[79]

Regarding the first claim, illicit market transactions tend to have more potential for violence than licit market transactions, given that the market actors do not have recourse to the law to enforce contracts or to protect or punish depredations by other participants or outsiders. Lacking the protections of the law, illicit market actors must rely on informal forms of control to resolve their disputes, punish those who impede their livelihood, and deter those who might otherwise interfere. Violence is one such form, a time-honored form of self-help. Nevertheless, actors in the illicit global economy are defined more by stealth than by violence.[80] Part of the reason that violence and illicit markets are so closely linked in conventional accounts is that episodes of violence draw the most attention and provoke the most concern. Thus, the analysis is distorted by selection bias. Such selection bias privileges the most-violent sectors of the illicit economy—most notably the illicit drug trade, though even drug markets are less violent than is commonly perceived.[81]

Moreover, within the drug trade, there is a privileging of attention to hard drugs such as cocaine and heroin (relatively high levels of violence) over soft drugs such as marijuana (relatively lower levels of violence). And within the trade in hard drugs, there is selection bias that favors attention to the most-violent places and actors. Contrast Colombia (relatively high levels of violence) to Bolivia (relatively much lower levels of violence)—both countries that are deeply enmeshed in the coca/cocaine trade, yet Colombia receives far more attention.

Selection bias is also evident in conventional accounts of violence related to other illicit economic activities. Consider the organization of migrant smuggling. Most of the stories that generate media and political attention are of extreme cases of death and abuse—shocking accounts of migrants dying in deserts, suffocating in locked trailers, and drowning in treacherous waters—with smugglers often blamed. Yet, as tragic as these cases obviously are, they are relatively rare, considering the sheer volume of illicit cross-border population flows. They are very much the exception rather than the rule.[82]

[79] See, especially, Mary Kaldor, *New and Old Wars: Organized Violence in a Global Era* (Stanford, CA: Stanford University Press, 1999), 95–119.

[80] For a more-detailed discussion, see the special issue of *Crime, Law, and Social Change* 52 (2009).

[81] See Peter Reuter, "Systemic Violence in Drug Markets," *Crime, Law, and Social Change* (September 2009).

[82] See, especially, David Kyle and Ray Koslowski, eds., *Global Human Smuggling* (Baltimore, MD: Johns Hopkins University Press, 2001); also see David Kyle and Marc Scarcelli, "Migrant Smuggling

Violent confrontations between migrant-smugglers and the state are also relatively rare. The business of migrant-smuggling typically seeks to evade (or pay off) state authorities rather than to violently challenge them. Far fewer immigration enforcement officials die in the line of duty than drug enforcement officers, though even in the case of the drug trade, the smuggling organization typically prefers to bypass or buy off the police rather than bully them. Here, corruption—purchasing the non-enforcement of the law through bribes and payoffs—can have a pacifying effect, since it reflects informal accommodation. Indeed, the breakdown of this arrangement in the case of Mexico has contributed to the great upsurge in violence since 2006.[83]

It should be stressed that violence in the illicit global economy tends to be selective and instrumental rather than random and gratuitous. Victims tend to be other market participants rather than state actors or the general public (and some state actors are targeted because they are actually market participants). The targeting of state actors—police, prosecutors, judges, politicians, and so on—generates the most attention and reinforces assumptions about the highly violent nature of illicit markets. Excessive violence (regardless of the target) can be bad for business, since it is disruptive and invites unwanted police and media scrutiny. High-profile police crackdowns, meanwhile, can unintentionally fuel more market-related violence; as some illicit actors are removed, new ones emerge to fill the void and to claim market share through violent competition. This exacerbating effect can occur in response to substitution of both organizations and individuals. Mexico is the most-dramatic contemporary case of spikes in violence resulting from the unsettling of established relations between crime groups and state authorities.[84]

Illicit global trade has also been increasingly blamed for fueling armed conflicts, and vice versa. Indeed, links between the illicit global economy and conflict are considered a defining attribute of so-called new wars.[85] The economic incentives and opportunities presented by illicit trade are also an important part of the "greed and grievance" debate in the literature on contemporary civil wars.[86] Prominent cases include drug production and trafficking (Colombia and Afghanistan), export of "conflict diamonds" (West Africa), and embargo busting, theft, and diversion of humanitarian aid (the Balkans), among others.

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and the Violence Question: Evolving Illicit Migration Markets for Cuban and Haitian Refugees," *Crime, Law, and Social Change* 52 (2009): 297–312.

[83] Richard Snyder and Angelica Duran Martinez, "Does Illegality Breed Violence? Drug Trafficking and State-Sponsored Protection Rackets," *Crime, Law, and Social Change* 52 (2009): 253–274.

[84] Monica Serrano, "Drug Trafficking and the State in Mexico," in Friman, ed., *Crime and the Global Political Economy*.

[85] See, especially, Kaldor, *New and Old Wars*.

[86] See Mats Berdal and David Malone, *Greed and Grievance: Economic Agendas in Civil Wars* (Boulder, CO: Lynne Rienner, 2000); Karen Ballentine and Jake Sherman, eds. *The Political Economy of Armed Conflict: Beyond Greed and Grievance* (Boulder, CO: Lynne Rienner, 2003).

New transportation and communication technologies also clearly facilitate long-distance diaspora mobilization and funding of conflicts, as evident in the Balkans and elsewhere.[87]

Illicit trade and conflict are clearly connected in many cases and in many ways, and international interventions of various sorts (such as delivering humanitarian aid, deploying peacekeepers, and imposing economic sanctions and arms embargoes) can unintentionally exacerbate this connection.[88] But this connection is too easily overstated and oversimplified. Take the case of the illicit drug trade, which is increasingly depicted as closely connected to armed conflict.[89] There is nothing automatic and predetermined about this connection, which is made readily apparent by the fact that many drug-producing and transit areas are not war zones, and similarly, that many war zones are not drug-producing and transit areas. And in one particularly prominent case, Mexico (a major heroin, marijuana, and methamphetamine producer and the main transshipment point for U.S.-bound cocaine), the country's large drug trade and small and isolated insurgencies have been strikingly disconnected. Similarly, Bolivia has long been a major coca producer (the raw material used for cocaine) and has gone through many bouts of political instability—but so far without turning to armed conflict. In Colombia, the drug trade has been a key factor in extending the armed conflict, providing a major source of financing for both leftist guerillas and right-wing paramilitaries, but it should also be remembered that the conflict long predates the rise of the Colombia drug trade.[90]

It should also be emphasized that despite the "new wars" label, the connection between illicit trade and conflict is not a post-Cold War invention. It goes back not just decades but centuries. One need only look to the early American historical experience: much to the dismay of the British imperial authorities, illicit trade kept French forces clandestinely supplied by American colonial merchants during the Seven Years' War, and transatlantic smuggling kept George Washington's Continental Army supplied during the American War of Independence.[91] Much to the delight of the British, American colonial merchants illicitly traded with the enemy and helped keep English forces

[87] Fiona Adamson, "Globalization, Transnational Political Mobilization, and Networks of Violence," *Cambridge Review of International Affairs* 18 (April 2005): 35–53.

[88] In the case of international intervention in Bosnia, for example, see Peter Andreas, *Blue Helmets and Black Markets: The Business of Survival in the Siege of Sarajevo* (Ithaca, NY: Cornell University Press, 2008).

[89] Paul Rexton Kan, *Drugs and Contemporary Warfare* (Washington, DC: Potomac Books, 2009).

[90] Marc Chernick, "Economic Resources and Internal Armed Conflicts: Lessons from the Colombian Case," in Cynthia Arnson and William Zartman, eds. *Rethinking the Economics of War: The Intersection of Need, Creed, and Greed* (Baltimore, MD: Johns Hopkins University Press, 2005).

[91] On trading with the enemy during the Seven Years' War, see Truxes, *Defying Empire*. On smuggling supplies during the American Revolution, see Barbara W. Tuchman, *The First Salute* (New York: Knopf, 1988).

supplied during the War of 1812, and confederate cotton smuggling helped keep English mills supplied during the American Civil War.[92] Then, as now, it was often difficult to clearly differentiate between greed and grievance. But there is certainly no evidence to suggest that today's insurgents are more profit-driven than some of their American predecessors: one need only examine the large and lucrative privateering business (which the British defined as piracy) during the American Revolution to realize how much economic motives can be a decisive contributor to a rebel political cause.[93]

Illicit trade is often blamed for impeding and complicating post-war reconstruction. This has certainly been the case in newly independent states such as Bosnia and Kosovo.[94] But long forgotten is that this was also true for the United States in the aftermath of the Revolutionary War. The very smuggling practices that aided the War of Independence turned into an obstacle for the newborn American state. The powerful legacy of colonial smuggling contributed to merchant resistance to centralized state authority and regulation of commerce. Smuggling now undermined American rather than British revenue collection and greatly complicated U.S. foreign relations.[95] This was a particularly serious problem for the nascent federal government, given that virtually all of its revenue derived from duties imposed on trade.

Illicit trade was thus a challenge to initial American state building—just as it is for state building efforts across the globe today. Indeed, this was an often-overlooked part of America's "strong society, weak state" profile. At the same time, concerns about smuggling stimulated government expansion and border-management activities, notably the creation of the U.S. Customs Service and its revenue cutters as one of the first components of the federal bureaucracy. Efforts to combat maritime piracy and embargo busting also stimulated the early development of the Navy.[96] Thus, illicit trade and related activities were double-edged, both challenging and building up the new American state. The same is true today, suggesting more continuity with the past than is typically recognized. While the historical parallels should not, of course, be overstated or misinterpreted, neither should they be glossed over—as is too often the case in prevalent accounts of illicit globalization.

[92] On the War of 1812, see Donald R. Hickey, *The War of 1812: A Forgotten Conflict* (Champagne-Urbana: University of Illinois Press, 1989). On confederate smuggling during the American Civil War, see Stephen R. Wise, *Lifeline of the Confederacy: Blockade Running During the Civil War* (Columbia: University of South Carolina Press, 1988).

[93] See Robert H. Patton, *Patriot Pirates: The Privateer War for Freedom and Fortune in the American Revolution* (New York: Pantheon, 2008).

[94] See the special issue of *Problems of Post-Communism*, May–June 2004.

[95] Joshua M. Smith, *Borderland Smuggling: Patriots, Loyalists, and Illicit Trade in the Northeast, 1783–1820* (Gainesville: University Press of Florida, 2006).

[96] George Daughan, *If By Sea: The Forging of the American Navy From the Revolution to the War of 1812* (New York: Basic Books, 2008).

Conclusion

I have offered an initial critical evaluation of some of the central claims in standard accounts of illicit globalization, and have argued that these claims are based on questionable assertions about the magnitude, nature, and novelty of this "new" transnational threat. I have provided a partial corrective to the common perception—reinforced and perpetuated in media reports and policy debates—that states are "losing control" in the face of illicit globalization. This illicit sphere of the global economy is indeed a serious concern. But sweeping claims of frightening change and an unprecedented global crime wave need to be tempered.

As I have emphasized, far from being a "new threat," illicit globalization is in many ways an old story—indeed, it dates back to the emergence of transoceanic commerce and mercantilist trade restrictions. What has changed over time are the particular illicit trading activities, their organization and methods of transport, laws and the intensity of their enforcement, the degree of societal tolerance and political attention, and consumer demand. Illicit globalization has long been a challenge to the state. But it has not been exclusively an antagonistic relationship. Across time, place, and smuggling activity, state engagement with illicit economic flows has ranged from condemnation and discouragement to toleration and complicity. Thus, we need to take illicit globalization seriously, but without pushing the state out. In this regard, illicit globalization is actually far more significant than contemporary accounts suggest. It goes back centuries, not decades. It is not simply a cancer on the global economy but an integral part of it. States are not simply being pushed aside by the globalization of illicit markets but are essential to their creation and perpetuation.

In today's era of illicit globalization, there is clearly a huge gap between policing goals and actual results. There are inherent limits to how much states can deter and interdict illicit cross-border economic activities, especially if they wish to maintain open societies and keep borders open for legitimate cross-border flows.[97] But the sky is not falling. Prominent accounts of illicit globalization that suggest otherwise are overstated and overblown. Nevertheless, these accounts continue to dominate the public debate with a seductively simple and attention-grabbing story line.

The standard narrative of illicit economic globalization is not only exaggerated and misleading but can lead to counterproductive policy prescriptions. Urgent calls to "do something" about the illicit side of globalization can provide ammunition for politicians and bureaucrats to justify costly high-profile crackdowns that may be politically popular but that ultimately fail. It can also contribute to growing calls to further securitize and militarize policing efforts

[97] More generally, as Herbert Packer long ago argued, there are inherent limits to what criminal sanctions can accomplish. Herbert L. Packer, *The Limits of the Criminal Sanction* (Stanford, CA: Stanford University Press, 1968).

regardless of the effectiveness of using military resources for law enforcement tasks. Simplistically blaming globalization can fuel calls for much tougher border enforcement that does more to impede legitimate trade and travel than to deter transnational crime. This is in no way meant to suggest that illicit cross-border flows are not a serious societal concern and regulatory challenge. They are profoundly important. It is precisely for this reason that we need more dispassionate, nuanced, and historically informed analysis.

Alarmist accounts of illicit economic globalization in many ways echo the old familiar arguments in the globalization literature about the withering away of the state in the face of increasingly globalized markets—but in this case, the market actors and forces are considered particularly threatening and sinister. In this narrative, global crime groups, not global corporations, are the growing threats. But while the old "sovereignty-at-bay"- types of arguments have been countered by more-skeptical and -nuanced accounts in the globalization literature, there has not been a similar corrective in the illicit globalization debate. This is long overdue. Commenting on the globalization debate, Daniel Drezner notes that "scholarly work in this area is necessary because the popular discourse on the subject has been dreadful."[98] This observation applies even more forcefully to the illicit globalization debate, where anxieties about globalization are especially pronounced and the tone of the discourse is particularly shrill.

Much more scholarly attention should be devoted to this important but often-misunderstood realm of globalization. Hyperbolic condemnations and eye-catching statistical claims draw attention to the problem, but too often substitute for sound analysis. Unfortunately, international relations scholars have only minimally and sporadically engaged the illicit globalization debate. This is made evident by simply glancing through the leading journals, readers, and texts in the field. Debates in the subfield of international political economy—where one might think there would be the greatest interest—have been largely preoccupied with market liberalization and regulatory regimes in the licit spheres of the global economy.[99] Far less noticed has been the selective growth of market criminalization and its implications for global governance and the regulatory state. Policing as an increasingly prominent form of market re-regulation is almost entirely overlooked.[100] The subfield of security studies has begun to examine the security implications of illicit networks (especially in relation to terrorism), but for the most part remains more preoccupied with interstate military matters than transnational policing matters.

[98] Daniel Drezner, *All Politics Is Global: Explaining International Regulatory Regimes* (Princeton, NJ: Princeton University Press, 2007), 7.

[99] International Political Economy course reading lists, for instance, typically do not include the illicit global economy. This neglect is also evident in IPE textbooks. But see David Mares, *Drug Wars and Coffeehouses: The Political Economy of Drug Policy* (Washington, DC: CQ Press, 2005).

[100] For a recent exception, see Friman, ed., *Crime and the Global Political Economy.*

Inadequate attention to the illicit side of the global economy is partly due to disciplinary boundaries: policing concerns are traditionally viewed as the domain of criminology and criminal justice studies, not international relations and political science.[101] But it is also partly due to inherent measurement difficulties and the additional challenges of fieldwork. Yet the fact that illicit economic flows are especially hard to measure through "large-N" type studies does not mean that they cannot be researched. As a handful of recent works demonstrate, scholarship in this area is not dependent on dubious aggregate numbers regarding the size and growth rates of particular illicit market activities.[102] Building on this emerging scholarship and bridging other fields such as criminology would greatly help to overcome the common pitfalls of either neglecting or distorting the study of illicit globalization.

[101] But see Michael Barnett and Liv Coleman, "Designing Police: Interpol and the Study of International Organization Change," *International Studies Quarterly* 49 (December 2005): 593–620. More generally, see Andreas and Nadelmann, *Policing the Globe*.

[102] Kamal Sadiq, *Paper Citizens: How Illegal Immigrants Acquire Citizenship in Developing Countries* (New York: Oxford University Press, 2008); Michael Kenney, *From Pablo to Osama: Trafficking and Terrorist Networks, Government Bureaucracies, and Competitive Adaptation* (College Park: Penn State Press, 2007); Ronen Palan, *The Offshore World: Sovereign Markets, Virtual Places, and Nomad Millionaires* (Ithaca, NY: Cornell University Press, 2006); Mertha, *The Politics of Piracy*; George Gavrilis, *Dynamics of Interstate Boundaries* (New York: Cambridge University Press, 2008).